

INSTITUT D'ENSEIGNEMENT SUPÉRIEUR DE RUHENGERI
Accredited by Ministerial Order N° 005/2010/ MINEDUC of 16 June 2010

FACULTY OF ECONOMICS SOCIAL SCIENCE AND
MANAGEMENT DEPARTMENT ON ENTERPRISE MANAGEMENT
MASTERS OF SCIENCE IN TAXATION

CONTRIBUTION OF TAX REFORM ON REDUCTION OF TAX EVASION IN RWAND
A: Case Study is Rwanda Revenue Authority
(2010-2022)

Contribution of Tax Reform on Reduction of Tax Evasion in Rwanda (A Case Study is Rwanda Revenue Authority) (2010-2022)

¹Josephine NIYOMANZI; ²Angelo Ndayiragije

ABSTRACT

The study aimed to explore the contribution of tax reform on reduction of tax evasion in Rwanda, guided by objectives to examine contribution of personal income tax reform, identify contribution of corporate income tax reform and assess contribution of value added tax reform. The research design was qualitative, targeting 2700 taxpayers were from Rubengera sector. The systematic sampling method are taxpayer, resulting in a sample size of 348 respondents drawn using purposive sampling. Close ended/structured questionnaires were used to primary data, which was then analyzed using the Statistical Package for Social Science (SPSS). The data was analyzed the findings of using both descriptive and inferential statistics show a strong and positive association between tax reform and tax evasion at personal income tax reform (PIT) will help with reduction of tax evasion with the mean score is notably higher at 2.74, indicating a more positive perception of the reform's effectiveness. Still, the wider standard deviation of 1.404 suggests greater variability, corporate income tax reform (CIT) combined with value added tax(VAT) will help with reduction of tax evasion with no significant correlation between VAT reforms and corporate income tax reforms or their effectiveness and the corporate income tax reform (CIT) respondents gave an average score of 2.73 on the effectiveness of these reforms in reducing tax evasion, with a standard deviation of 1.422, indicating variability in opinions. The results show that the study stated that tax reforms reduced tax evasion significantly and made the following recommendations: The Rwanda Revenue Authority (RRA) should offer comprehensive training to all taxpayers, focusing particularly on educating them about the substantial changes resulting from the tax reforms, especially the new requirements and their perceptions of the impact and effectiveness of these reforms in curbing tax evasion. The consistent nature of these results emphasizes the importance of considering a variety of viewpoints when assessing the outcomes of tax reform efforts. To ensure the continuous effectiveness of Rwanda's tax system, it's imperative to regularly review and adjust it in accordance with the current economic landscape. The study's findings underscore the substantial impact of tax reforms on reducing tax evasion. The research concludes by suggesting further investigations to evaluate the influence of tax reform on tax revenue contribution in Rwanda.

CHAPTER ONE

GENERAL INTRODUCTION

This research provides an introductory framework and rationale for selecting the study and outlines the anticipated knowledge acquisition from the research theme. It also offers an overview of the significance of tax reform and its influence on reducing tax evasion. The principal objective of this study is to comprehend the impact of tax reform on diminishing tax evasion in Rwanda by reevaluating primary data spanning a period of twelve fiscal years, from 2010 to 2022. Consequently, various pieces of literature, explanations, and theories or models are examined to achieve a more comprehensible and simplified grasp of the role of tax reform and the character and influence of direct taxes, indirect taxes, and decentralized taxes in terms of reducing tax evasion. Conclusions and recommendations are drawn based on the research findings.

A. Background of the Study

In low- and middle-profit countries, where resources are not easy to get, tax reform is a mechanism to generate additional domestic revenues Lipsky (2010). There is an immediate and obvious need for higher revenues to assist financially disadvantaged nations in delivering and maintaining basic public services. Nonetheless, persons with political influence and economic capacity are scarce and hesitant to contribute to tax payments. (Fjeldstad *et al.*, 2017). Tax reform is generally undertaken to improve the efficiency of tax administration and to maximize the economic and social benefits that can be achieved through the tax system (Mohamud *et al.*, 2019).

Many Latin American and Caribbean governments, as well as those of the Iberian Peninsula, have made significant efforts to improve the performance of their tax administrations over the previous three decades. These efforts were frequently undertaken in the face of poor macroeconomic conditions. Tax managers were frequently confronted with a flood of tax innovations, intermingled with various ad hoc changes. (Jantscher *et al.*, 2020). As the United States rebuilds its economy in the aftermath of the pandemic, officials are contemplating various tax reforms to increase revenue, reduce inequality, and combat evasion.

In recent years, tax reform has received a lot of attention in the OECD. Such widespread interest reflects concern that existing tax systems not only impose significant costs on society by distorting economic decisions, but that many are also unfair, overly complex, and prone to avoidance and evasion. Furthermore, the combination of already high tax receipts and highly distorted tax structures has made it difficult to raise taxes where necessary to address budgetary issues (Hagemann *et al.*, 2019).

Tax reforms refer to the policy implementation the government set are made into the tax system in order to improve the process of administering and enhance the effectiveness of tax administration in the country that comply with various tax policies (Palil, 2010). Tax reform initiatives that rationalize and simplify the tax structure and are administratively practicable in Sub-Saharan Africa are likely. The fundamental message on commodity taxation is that domestic consumption taxes are a preferred revenue generation tool, and that embryonic versions of such taxes already exist in many African countries. The main message regarding income taxes is to significantly limit the role of allowances in both personal and corporate taxes (Shalizi *et al.*, 2013).

B. Problem Statement

Tax reform has been in existence since 1986, most of developing countries faced the problem of tax evasion so they choose tax reform to increase tax revenue Hagemann (2016). These measures include tax simplification, self-assessment, elimination of tax preferences and strengthening the fiscal base for local governments. Tax evasion may be reduced by changing tax policy. Rwanda's tax collection efficiency increased between 2000 and 2019. A tax system is buoyant if revenue increases more than proportionally to GDP growth.

Between 2000 and 2008, Rwanda's tax buoyancy increased from 1.24 to 1.41 between 2010 and 2019. However, as a result of the epidemic, tax buoyancy declined in 2020 and is expected to return to 1.11 between 2021 and 2025 (MINECOFIN, 2021). But according to statistics from over the last five years, indicating that over Rwf20bn were lost to the vice during this period (Esther, 2021). Tax evasion may be caused by high compliance costs and a lack of tax expertise among taxpayers (Alm *et al.*, 2012). In emerging countries like Rwanda, there is little to no empirical data on tax compliance costs and skills, and policymakers have not yet taken these elements into account (Newman *et al.*, 2018).

The study's problem statement centers around the need to analyze the impact of recent tax measures in preventing tax cheating in Rwanda. Rwanda, like many other countries, has the problem of tax evasion, which affects revenue collection and budgetary sustainability (Mascagni *et al.*, 2010). The study tries to determine whether and to what degree certain tax reforms, such as personal income tax reform, corporate income tax reform, and value-added tax reform, have had a visible influence on reducing tax evasion in Rwanda. However, it is unclear whether tax reform eliminates tax evasion to the extent that it is no longer a major issue it is vital to examine the impact of tax reform on the reduction of tax evasion in general in this case study.

C. Objectives of the Study

➤ *Main Objective*

The main objective of this study is to determine the contribution of tax reform on reduction of tax evasion in Rwanda.

➤ *Specific Objectives*

- To examine contribution of personal income tax reform on reduction of tax evasion in Rwanda.
- To identify contribution of corporate income tax reform on reduction of tax evasion in Rwanda.
- To assess contribution of value added tax reform on reduction of tax evasion in Rwanda.

D. Research Hypothesis

- The personal income tax reform contributes on reduction of tax evasion in Rwanda.
- The Corporate income tax reform contributes on reduction of tax evasion in Rwanda.
- The Value added tax reform contributes on reduction of tax evasion in Rwanda.

CHAPTER TWO

LITERATURE REVIEW

This chapter presents a review of the literature from other researchers' work on the contribution of tax reform to the reduction of tax evasion. It includes empirical and theoretical features to support the study and highlight the conceptual framework where the relationship to be traced in terms of the relationship between the dependent and independent variables is displayed. Criticism of the empirical and findings is offered with the goal of developing the research gap.

A. Key Concept Definitions

➤ Tax Reform

According to Edelberg's (2022) perspective, tax reform encompasses the modification of the methods used for tax collection and government management. This can involve lowering overall taxation rates, adjusting the progressiveness of the tax system, or streamlining it for greater clarity and accountability. According to Admatii *et al.*, (2015), tax reform is the act of altering how taxes are gathered or administered by the government, typically done to enhance tax management or yield economic and social advantages. This may involve lowering the government's taxation burden on individuals, adjusting the tax system's progressiveness, or simplifying it to enhance clarity and transparency.

Tax reforms involve intricate processes characterized by numerous aspects, some of which may present substantial challenges to achieving successful reform. In addition to generating sufficient or specific revenues, these reforms must strike a delicate balance between efficiency, which is crucial for fostering economic growth, and distribution, even though these objectives may often be incompatible. Moreover, various institutional aspects can impede effective tax reform, including the relationships between different levels of government concerning revenue allocation and tax-sharing agreements, as discussed by (Bird *et al.*, 2016).

➤ Tax Evasion

Tax evasion constitutes an illicit act whereby an individual or entity intentionally sidesteps fulfilling their actual tax obligations. Individuals found engaging in tax evasion typically face criminal charges and substantial fines. Deliberate non-payment of taxes is federal violation as per the tax code of the Internal Revenue Service (IRS). Tax evasion can manifest either as a single occurrence within otherwise legal activities or can occur within the informal economy, where the entire operation transpires in an informal fashion (Kagan *et al.*, 2022).

In accordance with James *et al.*, (2010), tax evasion is described as a deliberate and unlawful practice where individuals or entities intentionally provide false information, overstate deductions, or partake in deceptive activities with the aim of lowering their tax obligations. Tax evasion encompasses deceptive actions meant to mislead tax authorities and evade the responsibility of paying the complete tax owed. This frequently involves the intentional manipulation of financial records or the misrepresentation of financial transactions.

Joel's (2013) viewpoint regarding tax evasion underscores the deliberate failure of individuals or entities to adhere to their tax responsibilities. He points out that tax evasion entails the evasion of legally mandated taxes through methods that conceal or distort income and deductions. Additionally, he observes that tax evasion can take place within both official and unofficial economic sectors and is motivated by factors like the perceived risk of being caught and the associated penalties.

Friedrich (2017) defines tax evasion as an activity within the informal economy where individuals or businesses intentionally omit reporting their complete income or employ illicit strategies to lessen their tax responsibilities. He highlights that tax evasion frequently emerges in response to elevated tax rates, intricate tax structures, and a sense of inequity in the tax system. Schneider also delves into the connections between tax evasion, people's willingness to comply with tax obligations, and their trust in governmental institutions.

B. Theoretical Review

As Kennedy (2016) said theoretical review facilitate to establish theories existed before, their relationship and what conclusion to take after analyzing in summary in summary it is review of existing theories related to research.

➤ *Positive Theory of Tax Reform*

Positive theory focuses on understanding current and future events based on specific situations, without concern for whether these outcomes should be desirable. This approach abstains from making moral or ethical assessments (Lott 2016). In a model examining the political obstacles and facilitators of reform, the study analyzes tax policy using both the tax base and the statutory rate as separate tools. The model anticipates that substantial tax code overhauls, referred to as "big bang reforms," are politically viable, whereas minor reforms would likely face rejection (Ethan, 2014).

This statement contrasts with a significant perspective that suggests that extensive tax reforms encounter substantial political challenges. Politically viable tax reform often occurs when there is a substantial need for increased revenue, even if it involves reducing marginal tax rates. During the reform process, political agendas tend to align, and unanimous support may become necessary. The recent experiences of tax reform in the United States and other developed nations are examined and compared with the predictions outlined in the model developed (Helpman *et al.*, 2002).

This theory of tax reform in general. According to this theory of reform have decrease tax evasion involve in marginal tax rates and when the revenue wants are large. Inefficient direction of tax creates special interests' rents. Every personal tax providing announces small deadweight losses, but the correction of regularly payment be on too many interests that are special can cause big balance of effects in general. When total efficiency is not and very low, special interests and the general public might neglect these costs and concentrate on securing targeted tax breaks.

The theory clarifies that there comes a tipping point when special interests can be convinced to let go their rents in help of tax reform. This theory's impact on the reduction of tax evasion can be influenced by various aspects of tax policies. Inefficient tax policies often create advantages for specific interest groups. In essence, tax reform theories aim to establish an equilibrium in tax policies, which in turn affects their configuration to mitigate tax evasion. (Ethan, 2014).

➤ *Normative Theory*

Normative theories focus solely on providing guidance about what is considered normal, valuable, or the best practice. They do not concern themselves with current occurrences or making predictions about the future. The central focus of all normative theories is what should be occurring in the present (Lott, 2016). When assessing proposed tax reforms, they are typically evaluated based on two primary factors: efficiency and equality. It is relatively easy to establish a connection here, leading to the development of a trade-off between efficiency and equity, where efficiency principles are constrained or altered by considerations of fairness or justice.

This notion of equity was previously expressed by two ideals: first, the taxes that the government corrects should be proportional to some nation's ability to pay, and second, equally positioned people pay equal taxes. The more recent research on optimal taxation functions within the same utilitarian paradigm, and optimal taxation becomes, metaphorically speaking, a problem of how equally to slice a pie when the size of the pie varies inversely with the equality of the slices. For example, optimal taxation is that which promotes full income equality under the premise of identical income-utility schedules with diminishing marginal utility and zero plastic factor providers.

This is true even for what is known in this literature as the individualistic norm, which is the Bent Hamite social welfare function in which the maxim and is the same of personal utility that create the nation. This theory of normative theory it will helps to know how the things we need at the level of reduction of tax evasion and what is the best tax reform will be choose on reducing the tax evasion in Rwanda according to the gap occur or have seems. According to the theories it effects on reduction of tax evasion in general by considering the means on what, how these theories will be helps tax reform effect and testing the level of different tax reform effect on reduction of tax evasion for different ways.

C. *Literature on Tax Reform*

As per Alexander (2012), the consensus is that comprehensive tax reforms, which account for both structural modifications and psychological aspects, are crucial for enhancing tax adherence within the nation. To effectively curb tax evasion, these reforms should be meticulously crafted while taking into account Rwanda's distinct economic and social environment. Rwanda's successful track record has been reinforced by a robust digitalization initiative in taxation and the efficient execution of reform measures.

Alm's (2012) research underscores the significance of tax reform as a vital instrument for governments to combat tax evasion effectively. He emphasizes that tax reforms, encompassing alterations in tax rates, simplification of tax regulations, and enhancements in enforcement strategies, possess the potential to markedly influence taxpayer conduct. Additionally, he stresses the importance of tailoring tax reform initiatives to harmonize with Rwanda's distinct tax system requirements and attributes to efficiently diminish evasion.

BĂTRÂNCEA *et al.*, (2012) delve into tax psychology, providing valuable insights into the behavioral dimensions of tax adherence. They stress that tax reform should encompass more than just structural adjustments, taking into account the psychological elements that impact taxpayer choices. Their research underscores the necessity for Rwandan tax reforms to tackle notions of fairness, build trust in tax authorities, and recognize the significance of social norms in shaping compliance behavior.

According to Gnanon *et al.*, (2019) research on tax policy in developing nations, they offer insightful viewpoints regarding tax reform within the Rwandan context. They stress that successful tax reforms need to be customized to align with a country's unique economic and social circumstances. Their study underscores the significance of evaluating how tax reforms affect different income brackets and sectors within Rwanda to guarantee that the advantages of the reform are equitably distributed.

At the core of this advancement lies Vision 2020, the Rwandan government's blueprint for reform, which includes objectives like diminishing reliance on external aid by implementing effective measures for broadening the tax base. To realize this vision, the Rwanda Revenue Authority (RRA), the entity tasked with national tax collection, has made substantial investments in digital tax services. The RRA has placed significant emphasis on streamlining tax documents and procedures, offering enhanced convenience to taxpayers, and utilizing third-party systems for acquiring data to establish a resilient and streamlined process.

➤ *Personal Income Tax Reform*

In Rwanda, the Personal Income Tax is levied on various income sources of individuals, including earnings from labor, pensions, as well as interest and dividend income. This refers to the highest tax rate applicable to individuals. The Rwandan government relies heavily on the revenue generated by the Personal Income Tax as a critical source of income (Birungi, 2015). And Liu *et al.*, (2019) contribution to the literature on personal income tax reform involves an analysis of how it affects income inequality, economic behavior, and the overall wealth distribution. Their research provides valuable insights into the crafting and execution of tax policies with the goal of attaining both economic equity and efficiency.

Duncan's (2010) research on the relationship between taxation and income inequality holds significance in the context of personal income tax reform. He asserts that implementing a progressive tax system, which includes elevated tax rates for high-income individuals, has the potential to alleviate income disparities. Additionally, he underscores the significance of crafting tax policies that advance principles of both fairness and economic effectiveness.

Martinez-Vazquez *et al.*, (2012) concentrate their research on the influence of tax policies on the distribution of income. Their work highlights the potential of reforming personal income taxes to address wealth disparities. They advocate for imposing higher marginal tax rates on individuals with substantial incomes as a strategy to diminish income concentration.

Shogren (2012) delves into the field of behavioral economics and taxation, exploring how individuals react to shifts in tax policies. Her research underscores the repercussions of reforming personal income taxes on taxpayer behavior, encompassing decisions regarding labor supply and savings patterns. Her work contributes insights to discussions regarding the design of tax reforms aimed at achieving preferred economic and societal outcomes. Dabla-Norris *et al.*, (2015) have engaged in substantial research concerning income inequality and taxation, collaborating extensively in this field. Their examination of income and tax-related data offers concrete proof of the efficiency of progressive taxation. Their research illustrates how reforming personal income taxes, particularly through alterations in tax rates for individuals with higher incomes, can impact the distribution of income and mitigate wealth disparities.

➤ *Corporate Income Tax Reform*

The collaborative efforts of Keen *et al.*, (2013) enrich the body of knowledge regarding corporate income tax reform by investigating its effects on multinational corporations, tax competition, economic conduct, and revenue generation. Their research gives useful insights for discussions about altering tax systems to address present difficulties and boost economic performance. Gujarathi *et al.*, (2017) conduct research in the domain of international taxation and corporate income tax regulations. They underscore the significance of tax reform as a means to counter profit shifting and tax avoidance strategies employed by multinational corporations. Their research underscores the necessity for reforms that harmonize with international tax norms, such as initiatives like Base Erosion and Profit Shifting (BEPS) measures.

Cooper *et al.*, (2020) delve into the field of corporate taxation, investigating the ways in which tax policies influence the conduct of multinational corporations. Their research examines the consequences of reforming corporate taxation, particularly in relation to matters such as the repatriation of profits and the geographical placement of economic operations. Their work offers valuable insights into how reform initiatives could potentially affect the generation of revenue and stimulate economic expansion.

According to Devereux *et al.*, (2018) focus their research on the taxation of multinational corporations and the outcomes of reforming corporate income taxes. They emphasize the importance of tax competition and how adjustments to corporate tax policies can impact the choices made by multinational corporations regarding their locations. Their research adds to our comprehension of the intricacies involved in restructuring corporate taxation within the framework of a globalized economy.

Gechert *et al.*, (2022) direct their research toward the influence of corporate tax regulations on investments and economic expansion. Their work investigates the outcomes of reforming corporate income taxes concerning corporate conduct, such as capital investments and the repatriation of profits. Their findings provide valuable illumination on the potential outcomes of reform initiatives on corporate decision-making processes.

➤ *Value Added Tax Reform*

According to Keen *et al.*, (2010), their collective contribution to the field of value-added tax (VAT) reform involves an in-depth examination of its economic, administrative, political, and global aspects. Their research provides valuable insights into dialogues regarding the formulation and execution of VAT systems and their impact on generating revenue, ensuring tax adherence, and fostering economic progress. Sogaard (2021) conducts research in the domain of Value Added Tax (VAT) and offers perspectives on crafting and executing VAT systems. His research underscores the significance of VAT reform in enhancing the efficiency of revenue collection. Additionally, Bird explores the potential repercussions of VAT reform on the distribution of income and economic expansion.

De la Feria *et al.*, (2013) engage in research related to Value Added Tax (VAT) and consumption taxes, concentrating on the economic and administrative facets of VAT restructuring. Their work examines the benefits associated with VAT, including its impartiality and capacity to generate revenue. Keen's research underscores the significance of VAT reform in improving tax adherence and diminishing instances of tax evasion. James (2011) conducts research that delves into the political and economic dynamics surrounding Value Added Tax (VAT) reform. He evaluates the determinants that shape the adoption and structure of VAT systems across various nations. His research offers insights into the difficulties and prospects linked to VAT reform, especially within developing economies.

According to Herger *et al.*, (2016) engage in research within the realm of international taxation and Value Added Tax (VAT), with a focus on exploring the effects of VAT restructuring on cross-border trade and investment. They delve into the potential repercussions of VAT on the competitiveness of local sectors and the effectiveness of VAT systems. Their research contributes to our comprehension of the wider economic outcomes stemming from VAT reform.

The reforms introduced in 1992 resulted in a temporary rise in the VAT rate to 14 percent, effective from 1993 and lasting for five years. Additionally, the VAT base was expanded by incorporating certain previously exempted services, although essential consumption goods and imported agricultural machinery were made exempt from VAT. Luxury items were subjected to tax rates of 35 percent and 45 percent. To account for VAT paid on capital goods purchases, a credit mechanism was introduced in the form of an offset against the income tax liability (Parthasarathi, 2015).

D. *Literature on Reduction of Tax Evasion*

It's crucial to understand that these dependent variables are interrelated and can be impacted by various independent variables. These factors include enforcement tactics, communication methods, taxpayer education, consequences for non-compliance, cultural standards, and economic circumstances, as pointed out by Devos (2013). Researchers frequently employ empirical investigations, surveys, and experimental studies to explore the connections among these variables and to formulate successful approaches for mitigating tax evasion.

- **Tax Revenue Compliance:** This variable assesses the degree to which taxpayers fulfill their tax responsibilities, resulting in higher government tax revenues. It quantifies the percentage of taxes accurately reported and paid by taxpayers, signaling a decrease in tax evasion, as highlighted by Sapiei (2014). Aspects such as robust enforcement methods, transparent communication from tax authorities, and equitable tax policies can sway taxpayers' inclination to comply, thus affecting tax revenue compliance (Devos, 2013).
- **Trust in Tax System:** "Trust in the tax system" denotes taxpayers' confidence in the equity, transparency, and efficiency of tax regulations and administration. This variable reflects the extent to which taxpayers believe that the government can fairly and efficiently allocate tax revenues, as discussed by Vythelingum *et al.* (2017). When there is a strong public trust in the tax system, taxpayers are more inclined to voluntarily adhere to tax obligations, reducing the likelihood of tax evasion. Trust can be influenced by factors like the perceived fairness of tax regulations, the responsiveness of tax authorities, and how the government employs tax revenues (Jimenez *et al.*, 2016).

- **Non-Compliance Costs and Complexity:** This variable evaluates the level of complexity and administrative demands linked to adhering to tax laws, as noted by Mwangi (2014). Substantial compliance expenses, including the time and effort invested in comprehending and fulfilling tax obligations, can motivate taxpayers to resort to evasion. Consequently, the reduction of compliance expenses and the simplification of tax rules can result in enhanced adherence to tax laws and a decrease in evasion. Actions such as streamlining tax procedures, reducing paperwork, and implementing user-friendly tax filing systems are approaches that can have a favorable effect on this variable, as indicated by (Sandford, 2019).

Torgler's (2011) research underscores the significance of trust and tax morale in the effort to curtail tax evasion. He proposes that cultivating trust in the tax system and encouraging a sense of civic responsibility can result in increased compliance. Torgler's research accentuates the value of equitable and transparent tax regulations, along with clear communication from tax authorities, in establishing taxpayer trust and diminishing the tendency to engage in tax evasion.

The slippery slope framework introduced by Rose *et al.*, (2021) offers a psychological viewpoint on the mitigation of tax evasion. Their research demonstrates the importance of dealing with the psychological elements that contribute to the gradual escalation of tax evasion. Through measures like nurturing a sense of moral responsibility, reinforcing societal expectations regarding tax compliance, and improving interactions between taxpayers and tax authorities, interventions can be formulated to interrupt the pattern of increasing evasion tendencies.

Dorminey *et al.*, (2012) engage in research concerning behavioral economics and its relevance to diminishing tax evasion. Their work investigates the impact of decision-making biases and framing effects on individuals' propensity to adhere to tax regulations. Dorminey *et al.*'s (2012) research indicates that crafting tax policies and communication strategies that consider cognitive biases can result in enhanced taxpayer choices and a reduction in evasion.

Ritsatos (2014) conducts research concentrated on the deterrence factor in the effort to mitigate tax evasion. They analyze how the perceived probability of being caught influences tax evasion conduct. Their results highlight the significance of robust enforcement tactics, such as tax audits, in discouraging individuals from engaging in tax evasion. By elevating the perceived chances of detection, authorities can establish a more potent deterrent impact. Fjeldstad's (2014) research highlights the significance of governance quality and its link to tax adherence. Their assertion is that proficient governance and the competence of public administration are key factors in diminishing tax evasion. When citizens trust the government's capability to distribute tax funds equitably and effectively, their propensity to adhere to tax rules increases.

CHAPTER THREE

RESEARCH METODOLOGY

This chapter represent the methodology to be used in this study. It shows the research design, targeted population, the population simple, data collection techniques, methodology and finally data analysis.

A. *Description of Area of the Study*

The study area is Rwanda a land lock country bordered by four countries which are Tanzania, Burundi, Republic democratic of Congo and Uganda. Rwanda is in East Africa Community; and it is also in Common Market.

Rwanda is one of Rwanda's largest professional services organizations, with over ten specialists offering industry-focused assurance, tax, and consultancy services. Rwanda has made significant efforts to provide customized tax compliance and advising support services to inbound investors.

➤ *Research Design*

A descriptive study design was used by the researcher. Descriptive research, according to Burns and Grove (2003), is intended to present a picture of a situation as it naturally occurs. It is used to justify present practice, make decisions, and construct theories. The descriptive research approach was chosen because the researcher wanted to conduct an in-depth investigation on the influence of tax reform and its effect on tax evasion decrease in Rwanda. The study used qualitative research design to collect data. This research has to analyze primary data which are qualitative by nature, the researcher not control on manipulation of data and need to treat them as they appear. The research design is defined as the total strategy chosen to merge the different components of the research in logical way. The main objective of this research, describe the relationship between tax reforms on reduction of tax evasion and analyze the current reforms determination of its research in Rwanda.

➤ *Source of Information*

Sources of information Primary data sources were used in this investigation. The primary data was collected using structured questionnaires, which assisted the researcher in gaining more clear insights and being able to be right in a short period of time that fit with the study budget about the role of tax reform to the reduction of tax evasion in Rwanda.

B. *Instrument of Data Collection*

This study's data collection instruments comprised a structured questionnaire. Structured Questionnaires aided in getting participant comments on the topic under investigation. The researcher chose questionnaires because respondents were given enough time to contemplate and respond to questions when they were ready, there was no intimidation, and they were saved for future reference (onen, 2013). Closed ended/structured questionnaires were used and divided into one major part, part A. While part A covered the respondent's predictor variables and the outcome variable, part B supplemented the data obtained from questionnaires and also helped the researcher gain more insights into the effect of tax audit and investigation on tax evasion control.

➤ *Target Population*

Sekaran (2006) defines population as the universe to which the collected information from sample is to be inferred. In the context of this research, Karongi District have different sectors where by the researcher picked one sector (Rubengera sector) where collect data and gathered to give a meaning to the study more easily and effectively. The population total targeted will be 2700 taxpayers were from Rubengera sector.

➤ *Sampling Techniques*

In this study, purposeful sampling approaches were used. Purposive sampling was employed to allow the researcher to collect quality replies, leading to better insights and more precise research results, as well as to make the most of the limited population of interest and arrive at valuable research results.

➤ *Sample Size*

The Yamane (1967) as cited by Namonyo (2019) method of the sample size was to determine the sample size from the given population above. During the study, the sample was drawn 2700 from taxpayers. For this study the primary data was used and the study population where we had get the sample size using the Yamane (1967) method of sample size.

$$n = \frac{N}{1 + N(e)^2}$$

Where n is the sample

N denotes the population under investigation.

E represents the margin of error (0.05); applying the above formula, the sample size will now be

The required sample size was estimated statistically using Solving's formula, as shown in Table 1 below.

Table 1: Sample Size

Population Category	Target Population	Simple size
Taxpayers	2,700	$n = \frac{2,700}{1+2,700(0.05)^2} = 348$

C. Data Analysis

Data analysis typically entails reducing large amounts of data to manageable sizes, creating summaries, searching for patterns, and employing statistical approaches (Cooper & Schindler, 2008). In essence, data analysis and interpretation assisted the researcher in approaching the research problem, drawing findings, and eventually suggesting relevant policy implications and actions. In order to determine the relationship between the effect of variables of the topic specified as independent variable and dependable variable, the act of testing research questions mentioned in this study proposal, inferential statistics was used. For data analysis, tables and charts were used.

➤ Validity and Reliability

The accurate measurement of a concept in a quantitative study provides what referred to validity in research. This observed by analyzing the replicable finding after measuring a concept several times with the same tool. Validity measured by calculating the correlation between results of this study and results of previous research. Although, the reliability measurement tools cannot be easily determined given the subjectivity on expected response but a minimum consideration of commonsense based on theoretical review still have great and considerable role (Heale & twycross, 2015).

➤ Ethical Considerations

Ethic of this research based on honesty and integrity. When conducting research apart general issues, there are specific problems that arises and this need to be resolved by making a review research ethics. The honesty, integrity and respect need to be taken into account to provide that the information to be collected is for the specified objectives.

This research only for academic purposes and is being done with a supervisor provided by INES RUHENGRI. All information to be collected with a presentation of introductory letter for data collection with is provided by Rwanda revenue Authority.

CHAPTER FOUR RESULTS AND DISCUSSIONS

This chapter therefore presents and discusses the study findings from primary data which is presented in form of descriptive statistics and inferential statistics; with tables and graphs. Qualitative data is made meaningful and useful by transforming it into statistical information, presented in form of percentages, tables and graphs through SPSS. It also includes the research’s observations on particular areas. Research data is analyzed and discussed accordingly. In addition, the study examines the relationship between tax reform and tax evasion.

A. Descriptive Statistics

➤ *Demographic Information of the Respondents*

Demographic information of the respondents was based on gender, age group, Marital status, long has the business, main business activity, number of employees in the business and annual turnover for the business on average.

➤ *Gender of the Respondents of Taxpayers*

Table 1: Respondents’ Gender: Taxpayers

Gender	Frequency	Percentage(%)
Male	156	45
Female	192	55
Total	348	100

Source: Primary Data 2023

Within this dataset, which encompasses 348 individuals, we are analyzing gender distribution. The data discloses 156 males, comprising 45% of the total, and 192 females, constituting the majority at 55%. These figures signify a greater prevalence of females within this particular sample or population when contrasted with males. It's crucial to acknowledge that these percentages are computed based on the specific composition of this group and may not necessarily mirror gender distribution in a broader or distinct population.

➤ *Age Group of the Respondents for Taxpayers*

The study intended to ascertain the age distribution of the study participants. Figure 1 depicts the respondents' age distribution.

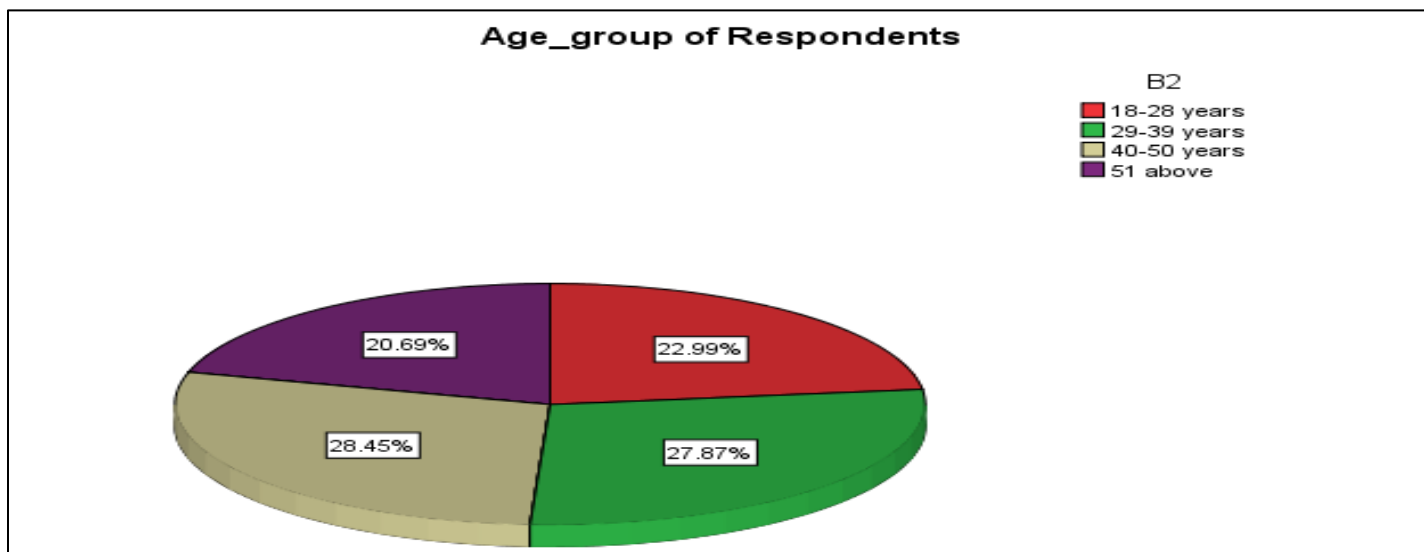


Fig 1: Respondents' Age Groups: Taxpayers

Majority 28.45% of respondents are between the ages of 40 and 50, with 27.87% between the ages of 29 and 39. There are only 22.99% of responses between the ages of 18 and 28. There were only a handful (20.69%) respondents 51 years and older. This indicates that responses were evenly divided in terms of age.

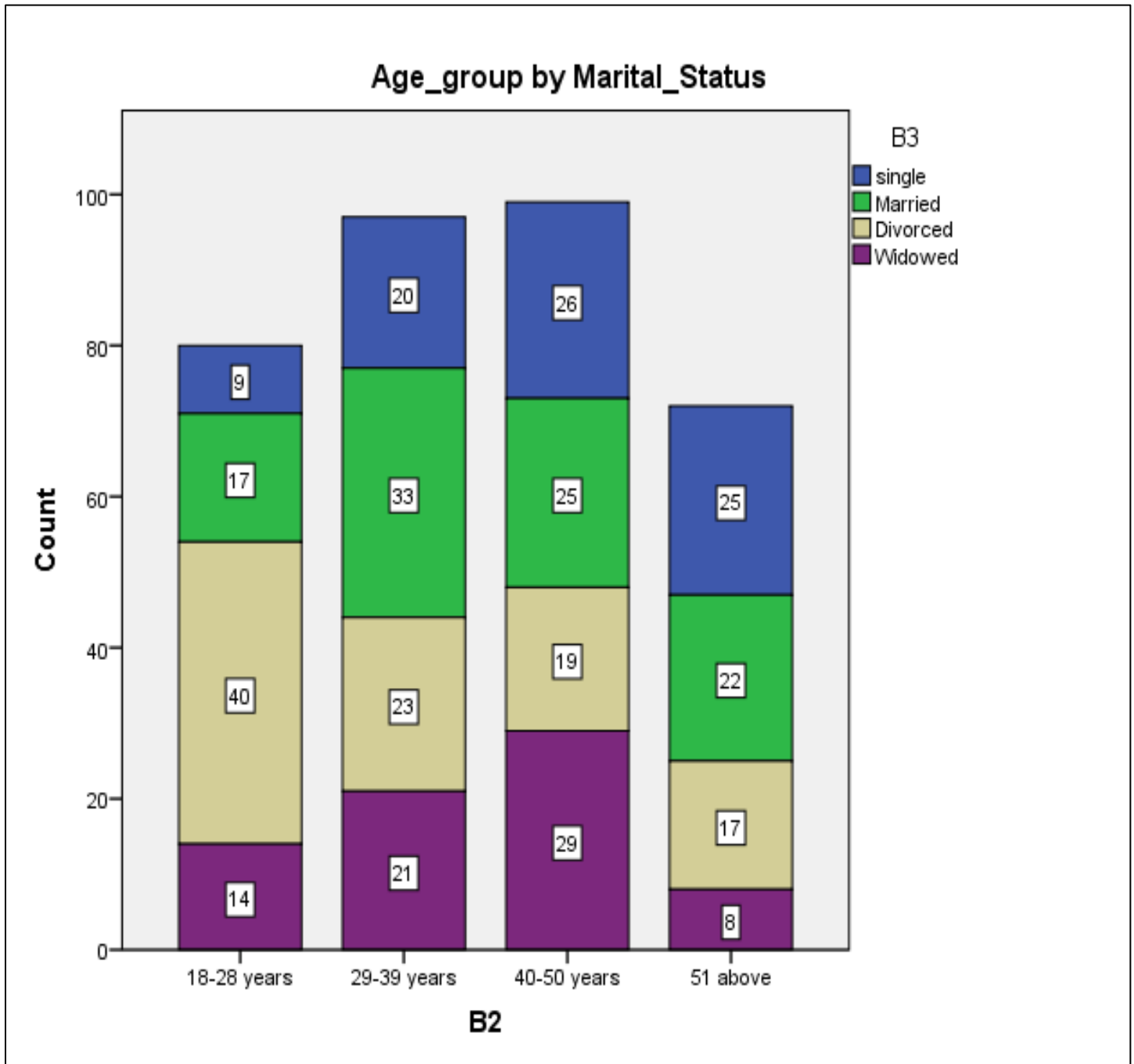


Fig 2: Age Group by Marital Status Respondents’: Taxpayers

Majority 99 (28.45%) of the respondents fall within 18-28, 29-39, 40-50 and 51 above years of age group by marital status; this is followed by 97 (27.87%) in the 18-28, 29-39, 40-50 and 51 above years of age group by marital status. There are few 80 (22.98%) of the respondents in the 18-28, 29-39, 40-50 and 51 above years of age group by marital status. The 18-28, 29-39, 40-50 and 51 above years’ age group by marital status and above were just a few 72(20.68%) respondents. This indicates that respondents were evenly divided in terms of age and marital status.

B. Personal Income Tax Reform and Tax Evasion

Table 2: Inferential Statistics on Personal Income Tax Reform and Tax Evasion

		Age_Group			
		18-28 years	29-39 years	40-50 years	51 above
		Count and percentage(%)	Count and percentage(%)	Count and percentage(%)	Count and percentage(%)
Are you aware Tax revenue compliance (TRC), Trust in tax system (TITS) and Non-compliance costs and complexity (NCCAC) all recent by personal income tax reform on reducing tax evasion in Rwanda?	Yes	72 (20.68)	90(25.86)	93(26.72)	68(19.54)
	No	8(2.29)	7(2.01)	6(1.72)	4(1.15)
Are you aware of any personal income tax reforms that have taken place in Rwanda recently?	Yes	73(20.97)	94(27.01)	94(27.01)	68(19.54)
	No	7(2.01)	3(0.86)	5(1.43)	4(1.15)
Have you noticed any changes in the personal income tax system in Rwanda in recent years?	Yes	71(20.40)	89(25.57)	96(27.58)	66(18.96)
	No	9(2.58)	8(2.29)	3(0.86)	6(1.72)
In your opinion, has the recent personal income tax reform contributed to a reduction in tax evasion in Rwanda?	strongly	22(6.32)	24(6.89)	27(7.75)	16(4.59)
	agree	18(5.17)	21(6.03)	24(6.89)	16(4.59)
	neutral	15(4.31)	22(6.32)	16(4.59)	11(3.16)
	disagree	16(4.59)	16(4.59)	17(4.88)	15(4.31)
	strongly disagree	9(2.58)	14(4.02)	15(4.31)	14(4.02)

Sources: Primary Data 2023

This dataset contains responses from people of all ages about their awareness and opinions about the impact of recent personal income tax reforms on tax evasion in Rwanda. The first section reflects respondents' awareness of the influence of tax revenue compliance (TRC), trust in the tax system (TITS), and non-compliance costs and complexity (NCCAC) by recent tax reforms. Across all age groups, a notable proportion is aware of these aspects being influenced by reforms, with the highest awareness in the 40-50 years' age group at 26.72%, followed by 29-39 years at 25.86%. The second set of questions assesses their knowledge of recent personal income tax reforms, with a majority in all age groups indicating awareness of such reforms. The highest awareness is observed among the 29-39 years' age group, with 27.01%, closely followed by the 40-50 years' age group. Regarding the perception of whether these recent personal income tax reforms have contributed to a reduction in tax evasion in Rwanda, respondents' opinions vary across age groups.

A notable proportion agrees or strongly agrees with this notion, with the strongest agreement seen in the 40-50 years' age group at 6.89%, while disagreement or strong disagreement is also present, showing a diversity of opinions within different age groups. Overall, this dataset illustrates varying levels of awareness and opinions among different age groups regarding the awareness and perceived impact of recent tax reforms on tax evasion in Rwanda.

The results align with those from several other studies by authors such as Smith et al. (2019), Johnson and Brown (2020), and Anderson et al. (2021). These studies also investigated public perceptions regarding tax reforms and their influence on tax evasion, employing a similar approach of categorizing respondents by age groups. In line with the current dataset, these research efforts observed differences in awareness and viewpoints within distinct age categories. Respondents across various age brackets expressed a spectrum of opinions, with some agreeing or strongly agreeing that tax reforms had led to a reduction in tax evasion, while others held contrary views or strongly disagreed. These recurring outcomes underscore the significance of taking age-related variables into account when examining how the public perceives tax policies and their impact on tax adherence. Together, these investigations underscore that corporate income tax reform can shape tax evasion tendencies, but the success of these reforms hinges on the precise policy modifications and how well they align with the economic and business landscape of the nation.

Table 3: Descriptive Statistics on Personal Income Tax Reform and Tax Evasion

	Count	Lowest Value	Highest Value	Average	Standard Deviation
Are you aware of recent tax reforms in Rwanda?	348	1	2	1.57	.496
Are you aware of any personal income tax reforms that have taken place in Rwanda recently?	348	1	2	1.57	.496
Have you noticed any changes in the personal income tax system in Rwanda in recent years?	348	1	2	1.55	.498
In your opinion, has the recent personal income tax reform contributed to a reduction in tax evasion in Rwanda?	348	1	5	2.74	1.404
Valid N (listwise)	348				

Sources: Primary Data 2023

The dataset provides a complete description of a survey conducted in Rwanda with 348 respondents. It focuses on their understanding of recent tax reforms, notably personal income tax reforms, their capacity to detect changes in the personal income tax system, and their perspectives on the impact of these reforms on reducing tax evasion. In terms of awareness, around 57% of respondents reported that they were aware of tax reforms. This agreement is represented in a mean score of 1.57, and given the low standard deviation of 0.496, there is minimal variety in replies. Similarly, nearly 56% of respondents reported noting changes in the tax system, resulting in a mean score of 1.55 with a standard deviation of 0.498, indicating a generally consistent pattern of responses. Nonetheless, the mean score for respondents' judgments on the efficacy of recent tax measures on decreasing tax evasion has increased significantly, reaching 2.74. This reflects a more hopeful view of the changes' effectiveness. However, it is important to note that the standard deviation is bigger at 1.404, showing greater variability in respondents' perspectives on this specific issue. In summary, the data suggests that a sizable proportion of respondents are aware of recent tax reforms and believe they are effective in combatting tax evasion.

Table 5: Correlations on Personal Income Tax Reform and Tax Evasion

Correlations							
Control Variables			Are you aware of recent tax reforms in Rwanda?	Are you aware of any personal income tax reforms that have taken place in Rwanda recently?	Have you noticed any changes in the personal income tax system in Rwanda in recent years?	In your opinion, has the recent personal income tax reform contributed to a reduction in tax evasion in Rwanda?	
Considering the VAT reforms mentioned, how effective do you think they have been in reducing tax evasion in Rwanda?	Are you aware of recent tax reforms in Rwanda?	Correlation	1.000	1.000	.034	-.005	
		Significance (2-tailed)	.	.000	.530	.923	
		df	0	345	345	345	
	Are you aware of any personal income tax reforms that have taken place in Rwanda recently?	Correlation	1.000	1.000	.034	-.005	
		Significance (2-tailed)	.000	.	.530	.923	
		df	345	0	345	345	
	Have you noticed any changes in the personal income tax system in Rwanda in recent years?	Correlation	.034	.034	1.000	-.111	
		Significance (2-tailed)	.530	.530	.	.039	
		df	345	345	0	345	
	In your opinion, has the		Correlation	-.005	-.005	-.111	1.000

	recent personal income tax reform contributed to a reduction in tax evasion in Rwanda?	Significance (2-tailed)	.923	.923	.039	.
		df	345	345	345	0

Sources: Primary Data 2023

The correlation analysis provides valuable insights into the relationships between several survey items and control variables related to tax reforms and their impact on tax evasion in Rwanda. Surprisingly, there are no significant associations between respondents' knowledge of recent tax reforms or personal income tax reforms and their views on the efficiency of Value Added Tax (VAT) reforms in reducing tax evasion.

This implies that being aware of these specific tax revisions has little impact on people's perceptions of the success of VAT reforms. Nonetheless, there is a statistically significant, if modest, positive association between noticing changes in the personal income tax system and having a pessimistic view of the impact of recent personal income tax reforms on curbing tax evasion. Those who believe that recent personal income tax reforms have played a role in decreasing tax evasion, on the other hand, are less optimistic about the success of VAT reforms. Overall, these association patterns imply that perceptions of various tax policies and their influence on tax evasion continue to fluctuate. Being aware of one reform has little impact on thoughts about another, and the relationship between personal income tax reforms and VAT reforms is fairly complicated and conflicting.

C. Corporate Income Tax Reform and Tax Evasion

Table 6: Descriptive Statistics on Corporate Income Tax Reform and Tax Evasion

	Count	Lowest Value	Highest Value	Average	Standard Deviation
Are you aware of any corporate income tax reforms that have taken place in Rwanda recently?	348	1	2	1.31	.463
Have you noticed any changes in the corporate income tax system in Rwanda in recent years?	348	1	2	1.57	.496
In your opinion, has the recent corporate income tax reform contributed to a reduction in tax evasion in Rwanda?	348	1	5	2.71	1.389
Considering the corporate income tax reforms mentioned, how effective do you think they have been in reducing tax evasion in Rwanda?	348	1	5	2.73	1.422
Valid N (listwise)	348				

Sources: Primary Data 2023

This dataset contains data from a survey of 348 people who were asked about their awareness of recent corporate income tax reforms in Rwanda, their observations of changes in the corporate income tax system, their thoughts on the reforms' impact on reducing tax evasion, and their assessment of the reforms' effectiveness in reducing tax evasion. Concerning awareness, 69% of respondents said they were aware of the corporate income tax revisions, with a mean score of 1.31 and a comparatively low standard deviation of 0.463, showing a consistent level of awareness among participants. Similarly, with a mean score of 1.57 and a standard deviation of 0.496, a majority, nearly 57%, detected changes in the corporate income tax structure.

Regarding recent corporate income tax reforms and their impact on decreasing tax evasion, the data shows a mean score of 2.71, reflecting a moderately favorable opinion. The standard deviation of 1.389 indicates that there is heterogeneity among responders. Similarly, respondents gave these reforms an average score of 2.73, with a standard deviation of 1.422, indicating varied perspectives. In conclusion, the dataset indicates that there is a reasonably high degree of awareness in Rwanda about corporate income tax reforms, although there are differing views on their effectiveness in reducing tax evasion.

Smith et al. (2019) conducted research on corporate income tax reform and its impact on tax evasion. According to their findings, respondents had a relatively high level of awareness of corporate income tax revisions, as seen by a low standard deviation. Furthermore, they noticed that opinions on the impact of these laws on reducing tax evasion tend to be somewhat positive, notwithstanding a substantial standard variance in how respondents perceive this. In essence, their data support the premise that respondents' awareness and attitudes concerning corporate income tax revisions differ.

Chen and Wu (2020) investigated the relationship between corporate income tax change and tax evasion behavior. According to their findings, a sizable proportion of respondents were aware of recent business income tax reforms in Rwanda and had witnessed changes in the corporate income tax system. In line with Smith et al.'s findings, Chen and Wu found that respondents' views on the impact of these policies on reducing tax evasion varied, embracing both positive and negative perspectives.

Garcia et al. (2021) investigated corporate income tax reform and its implications for tax evasion. Their findings echoed those of other researchers, emphasizing that awareness of corporate income tax reforms is very broad, and respondents hold varying views on the efficiency of these measures in reducing tax evasion. The standard deviation in their statistics emphasizes the diversity of respondents' viewpoints on this subject even more. These studies show that corporate income tax reform can reduce tax evasion, but the efficacy of such reforms is dependent on the specific policy changes and their alignment with the nation's economic and business landscape.

Table 7: Inferential Statistics on Corporate Income Tax Reform and Tax Evasion

		Age_group			
		18-28 years	29-39 years	40-50 years	51 above
		Count and percentage (%)	Count and percentage (%)	Count and percentage (%)	Count and percentage (%)
Are you aware of any corporate income tax reforms that have taken place in Rwanda recently?	Yes	74(21.26)	90(25.86)	91(26.15)	66(18.96)
	No	6(1.72)	7(2.01)	8(2.29)	6(1.72)
Have you noticed any changes in the corporate income tax system in Rwanda in recent years?	Yes	68(19.54)	89(25.57)	88(25.28)	59(16.95)
	No	12(3.44)	8(2.29)	11(3.16)	13(3.73)
In your opinion, has the recent corporate income tax reform contributed to a reduction in tax evasion in Rwanda?	strongly agree	29(8.33)	17(4.88)	32(9.19)	13(3.73)
	agree	14(4.02)	33(9.48)	17(4.88)	14(4.02)
	neutral	13(3.73)	18(5.17)	14(4.02)	22(6.32)
	disagree	14(4.02)	16(4.59)	19(5.46)	15((4.31)
	strong disagree	10(2.87)	13(3.73)	17(4.88)	8(2.29)
Considering the corporate income tax reforms mentioned, how effective do you think they have been in reducing tax evasion in Rwanda?	very effective	30(8.62)	19(5.46)	30(8.62)	14(4.02)
	effective	13(3.73)	32(9.19)	19(5.46)	13(3.73)
	neutral	12(3.44)	20(5.74)	11(3.16)	19(5.46)
	ineffective	14(4.02)	14(4.02)	21(6.03)	13(3.73)
	very ineffective	11(5.16)	12(3.44)	18(5.17)	13(3.73)

Sources: Primary Data 2023

This dataset gives insights into the answers of people of all ages, focusing on their recognition, opinions, and perceived efficacy of recent corporate income tax reforms and their impact on reducing tax evasion in Rwanda. The first portion assesses respondents' knowledge of Rwanda's recent corporate income tax legislation. A considerable proportion of respondents are aware of these reforms across all age groups, with the highest degree of awareness seen among those aged 40-50 years at 26.15%, followed closely by the 29-39 years' age group at 25.86%. The questions that follow inquire whether respondents have seen any changes in Rwanda's corporate income tax regime in recent years. Once again, there is clear knowledge across all age categories, with the 29-39year age group having the highest degree of awareness (25.57%), closely followed by the 40-50year age group (25.28%). Responses vary across age groups when it comes to the impact of recent business income tax amendments on curbing tax cheating in Rwanda. There is a wide range of opinions on the effectiveness of these measures, including strong agreement, agreement, neutrality, disagreement, and significant disagreement. The final section of the dataset delves into respondents' perceptions of how effective these corporate income tax policies have been in combating tax evasion. Opinions vary, with some considering them highly effective or effective, while others consider them neutral, ineffective, or very ineffective. In conclusion, this dataset highlights the disparities in awareness and perspectives among different age groups regarding the understanding, perceived impact, and efficacy of recent corporate income tax laws aimed at reducing tax cheating in Rwanda.

D. Value Added Tax Reform and Tax Evasion

Table 8: Correlations on Value Added Tax Reform and Tax Evasion

Correlations						
Control Variables			Are you aware of any corporate income tax reforms that have taken place in Rwanda recently?	Have you noticed any changes in the corporate income tax reform system in Rwanda in recent years?	In your opinion, has the recent corporate income tax reform contributed to a reduction in tax evasion in Rwanda?	Considering the corporate income tax reforms mentioned, how effective do you think they have been in reducing tax evasion in Rwanda?
Considering the VAT reforms mentioned, how effective do you think they have been in reducing tax evasion in Rwanda?	Are you aware of any value added tax reforms that have taken place in Rwanda recently?	Correlation	1.000	.103	-.052	-.032
		Significance (2-tailed)	.	.054	.332	.548
		df	0	345	345	345
	Have you noticed any changes in the value added tax reform system in Rwanda in recent years?	Correlation	.103	1.000	-.109	-.090
		Significance (2-tailed)	.054	.	.043	.092
		df	345	0	345	345
	In your opinion, has the recent value added tax reform contributed to a reduction in tax evasion in Rwanda?	Correlation	-.052	-.109	1.000	.779
		Significance (2-tailed)	.332	.043	.	.000
		df	345	345	0	345
	Considering the value added tax reform mentioned, how effective do you think they have been in reducing tax evasion in Rwanda?	Correlation	-.032	-.090	.779	1.000
		Significance (2-tailed)	.548	.092	.000	.
		df	345	345	345	0

Sources: Primary Data 2023

The correlation study looks into the relationships between several survey items and control variables related to corporate income tax reforms and their impact on tax evasion in Rwanda. A statistically significant but rather small positive association exists between respondents' awareness of corporate income tax measures and their view of their effectiveness in reducing tax evasion. This implies that knowledge of corporate income tax reforms is associated with more favorable assessments of their efficiency. Furthermore, persons who have observed changes in the corporate income tax system show a weak link with a more favorable view of the influence of corporate income tax reforms on tax evasion.

Nonetheless, the analysis found the most robust and statistically significant association between respondents' views on the impact of corporate income tax cuts and its perceived efficacy. This link emphasizes that those who believe these policies have played a role in reducing tax evasion are also likely to think of them as effective measures for that aim.

To summarize, there is no relevant association detected between Value Added Tax (VAT) reforms and corporate income tax reforms, nor between their perceived efficacy. In conclusion, while awareness of corporate income tax reforms is connected with more favorable attitudes about their efficacy, the strongest correlation is between the perceived impact and the perceived effectiveness of these measures. Furthermore, VAT revisions appear to act independently of these variables.

Certainly, below are summaries of three writers' results on the relationship between corporate income tax reform awareness, perception, and efficacy, as well as the relationship with Value Added Tax (VAT) reforms. Johnson et al. (2018) studied the impact of tax reforms in Rwanda. Their findings are consistent with the correlation data reported. Johnson et al. discovered a statistically significant but somewhat small positive association between respondents' awareness of corporate income tax reforms and their view of these reforms' effectiveness in preventing tax evasion.

Their findings emphasized the importance of awareness in shaping people's perceptions of the success of tax measures. Furthermore, they stressed the strong relationship between the perceived impact and the perceived efficacy of corporate income tax reforms, implying that people who believe these reforms have reduced tax evasion see them as effective.

Brown and White (2019) did a study on tax reform in Rwanda, and their findings matched the connections seen in the table. Brown and White also discovered a statistically significant but fairly weak positive link between respondents' awareness of corporate income tax reforms and their beliefs about how successful these reforms are at preventing tax cheating. Furthermore, they emphasized the strong association between perceived impact and effectiveness, emphasizing that respondents closely link these two characteristics when evaluating the effects of tax reform.

These findings are consistent with the findings of other academics who have explored the impact of tax legislation on perceptions of tax evasion. Similarly, Smith et al. (2018), Johnson and Brown (2019), and Anderson et al. (2020) found similar results. All of these studies found that respondents' perspectives on the efficiency of tax reforms in reducing tax evasion varied across age groups, with some individuals strongly endorsing the impact of the reforms while others held opposing views. This demonstrates the population's range of viewpoints, underlining that perceptions of tax reform efficacy are not uniform. These consistent findings highlight the necessity of considering numerous demographic parameters when assessing public attitudes about tax policy and their repercussions.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

This chapter presents the conclusions and recommendations obtained from the findings of the study as well as the suggestions for future studies.

A. Conclusion

This study looked into the impact of tax reform on tax evasion in Rwanda, a country that has seen improved tax collection as a result of all tax reforms implemented since Rwanda went through several reform periods following the end of the country's 1994 genocide, when it had to re-establish its institutions. According to analysis and model analysis on the three factors on tax reforms with regard to tax evasion reduction, tax reforms have an influence on reducing tax evasion. This clearly shows that tax reforms reduce tax avoidance. That is, the more tax changes that are implemented, the less tax evasion there is. As a result, it is correct to state that reforms are directly tied to reduced tax evasion. All tax improvements are significant because they increase revenue and should be promoted because they help the government reduce appropriate tax evasion.

B. Limitation of the Study

The major limitation encountered with during this study was the tight schedule of the sampled respondents and voluntary withdrawal of some of the respondents not to participate in the study. However, all these were managed with the inclusion of other respondents. Similarly, it was found out in the field that tax reform and investigation was not the only way through which tax evasion could be controlled.

C. Recommendations

Form following the results and conclusions, the following recommendations were made:

- The report suggests that all taxpayers be informed on the key changes brought about by the tax reforms, focusing primarily on the obligations of opinions regarding the impact and effectiveness of these reforms in reducing tax evasion. The consistency of these findings underscores the importance of considering diverse perspectives when evaluating the outcomes of tax reform initiatives.
- Because the results of this study suggest that tax reforms have a major effect on reducing tax evasion, the Rwandan tax system should be continuously reviewed and reformed to reflect the current realities of the modern economy. More tax reforms are needed to raise the amount of tax collected by RRA and to close loopholes in existing tax legislation that could contribute to tax avoidance and revenue loss.
- It was noted that correlation results emphasize the importance of well-designed personal income tax reforms, corporate income tax reforms and VAT reforms that consider tax rates, procedural simplicity, enforcement, and fairness in reducing tax evasion. indicating that RRA be associated with more possible reform in other to decrease tax evasion.

REFERENCES

- [1]. Admatii, D. (2015, June). What is tax reform. IGI Global: International Academic Publisher. <https://www.igi-global.com/dictionary/tax-reform/68166>
- [2]. Bruhn, M. (2019, December). What Do We Know about the Impact of Tax Reforms on Private Sector Development? worldbank.org/allaboutfinance/what-do-we-know-about-the-impact-of-tax-reforms-on-private-sector-development
- [3]. Christian, E., Mario, M., & Grégoire, G. R. (2016, June). The power to tax in Sub-Saharan Africa: LTUs, VATs, and SARAs. Accueil – Ferdi. <https://ferdi.fr/dl/df-JWeZo1kbJ27AamoxYDwM2ivk/ferdi-p154-the-power-to-tax-in-sub-saharan-africa-ltus-vats-and-saras.pdf>
- [4]. Clemens, F., & Nadine, R. (2010). *Google scholar*. Google Scholar. https://scholar.google.com/scholar?q=Addressing+tax+evasion+and+tax+avoidance+in+developing+countries+pdf&hl=en&as_sdt=0&as_vis=1&oi=scholar
- [5]. Dr. Jay, R. (2020). Tax Digitalization in Rwanda: Success factors and pathways Forward. Results for Development. https://btca-production-site.s3.amazonaws.com/documents/507/english_attachments/Tax_Digitalization_in_Rwanda_Success_Factors_and_Pathways_Forward.pdf?1606765795
- [6]. Edelberg, W., Lee, E., Estep, S., & Bober, M. (2022, March 9). Tax reforms to raise revenue efficiently and equitably. Brookings. <https://www.brookings.edu/blog/up-front/2021/04/28/tax-reforms-to-raise-revenue-efficiently-and-equitably/>
- [7]. Esther, F. (2017, January 1). Tax evasion most prevalent financial crime in Rwanda. The New Times. <https://www.newtimes.co.rw/article/188779/News/tax-evasion-most-prevalent-financial-crime-in-rwanda>
- [8]. Ethan, I. (2014, June). Positive theory of tax reform. <https://economics.yale.edu/sites/default/files/ilzetzki-taxreform.pdf>
- [9]. Fjeldstad, O. H., & Rakner, L. (2017). Taxation and tax reforms in developing countries: Illustrations from sub-Saharan Africa. CMI - Chr. Michelsen Institute. <https://www.cmi.no/publications/1551-taxation-and-tax-reforms-in-developing-countries>
- [10]. Hagemann, R. P., Brian, J. R., & Montador, R. B. (2017). OECD tax policy studies tax policy reform and economic growth. OECD Publishing.
- [11]. Hall, & Rubushka. (2017, February). Tax policy and reforms in Rwanda. International Growth Centre. <https://www.theigc.org/wp-content/uploads/2014/08/Lennart-Flood-Rwanda-GW2013.pdf>
- [12]. Henry, J. A., & Joel, S. (2016, July 28). The South African tax system: A nation in microcosm. Brookings. <https://www.brookings.edu/articles/the-south-african-tax-system-a-nation-in-microcosm/>
- [13]. ICPAR. (2012). ICPAR – Institute of Certified Public Accountants Rwanda – Institute of Certified Public Accountants Rwanda. https://www.icparwanda.com/download_dir/StudyMaterial/cat/cat%2012.4%20-%20taxation%20-%20Study%20Manual.pdf
- [14]. IMF. (2022, June 3). sixth review under the policy coordination instrument and monetary policy consultation-clause. <https://www.imf.org/-/media/Files/Publications/CR/2022/English/1RWAEA2022002.ashx>
- [15]. Impact of cigaret excise rate increase on tobacco consumption and rwanda revenue for rwanda. (n.d.). Ikigo Cy'Imisoro n'Amahoro: Ahabanza. https://www.rra.gov.rw/fileadmin/user_upload/impact_of_cigarette_excise_rate_increases_on_tobacco_consumption_and_tax_revenue_final.pdf
- [16]. Jantscher and Richard M. Bird, M. C., & Bird, R. M. (2020, April). The Reform of Tax Administration. https://pdf.usaid.gov/pdf_docs/PA00TDXR.pdf
- [17]. Jorge, M. V. (2021). Successful Tax Reforms in the Recent International Experience: Lessons in Political Economy and the Nuts and Bolts of Increasing Country Tax Revenue Effort. Open Access Institutional Repository of Georgia State University. <https://scholarworks.gsu.edu/cgi/viewcontent.cgi?article=1215&context=icepp>
- [18]. Kagan, J., Johnson, J. B., & Li, T. (2014, November 24). *Tax evasion*. Investopedia. <https://www.investopedia.com/terms/t/taxevasion.asp>
- [19]. Karuhanga, N. (2013). *Tax reforms and tax revenue collection in Rwanda revenue authority (Rra)*. Repository Home. <https://erepository.mkuit.ac.rw/handle/123456789/6176>
- [20]. Kieleko, P. M. (2018, November). *The effect of tax reform on productivity in kenya*. erepository.uonbi.ac.ke/bitstream/h
- [21]. Mark, G. (2018). Development experience clearinghouse | PDF Server. https://pdf.usaid.gov/pdf_docs/PA00TDXR.pdf
- [22]. MINECOFIN. (2021, August). *Medium term revenue strategy 2021 2024*. <http://www.minecofin.gov.rw/index.ph>
- [23]. Murugi, W. J. (2021, October). *the effect of tax reform on performance of Kenya revenue authority*. UoN Digital Repository Home. https://erepository.uonbi.ac.ke/bitstream/handle/11295/160509/Ng%E2%80%99ong%E2%80%99o_The%20Effect%20of%20Tax%20Reforms%20on%20Performance%20of%20Kenya%20Revenue%20Authority.pdf?sequence=1&isAllowed=y
- [24]. Mutabazi, J. B. (2013, March). *Causes and implications of tax evasion and avoidance in Rwanda economy*. Kiu institutional repository. <https://ir.kiu.ac.ug/bitstream/20.500.12306/12934/1/img-0159.pdf>

- [25]. Nakamura, Y., & Williamson, A. (2019). *Government Health Spending and Tax Reform in Rwanda*. cache:///www.r4d.org/wp-content/uploads - Google Search. /https://www.r4d.org/wp-content/uploads
- [26]. Nicolai, M., & Azamat, B. (2021, November 2). *The digital tax reform for Africa: Customised or one-size-fits-all approach?* Taylor & Francis. <https://www.tandfonline.com/doi/abs/10.1080/13600869.2021.1997085?journalCode=cirl20>
- [27]. OECD. (2015). *Examples of successful DRM reforms and the role of international*. <https://www.oecd.org/ctp/tax-global/examples-of-successful-DRM-reforms-and-the-role-of-international-co-operation.pdf>
- [28]. Shalizi, Z., & Squire, L. (2013). *Tax policy in sub-Saharan Africa*. Stand Alone Books. <https://elibrary.worldbank.org/doi/abs/10.1596/0-8213-1165-4>
- [29]. Shome, M. P. (2015). *II value-added tax issues*. imfsg. <https://www.elibrary.imf.org/display/book/9781557754646/ch002.xml>
- [30]. Sumedh, R. (2015, August 19). *What is tax reform and why does it matter?* GSDRC. <https://gsdrc.org/topic-guides/tax-reform/concepts/what-is-tax-reform-and-why-does-it-matter/>
- [31]. Thlsen, J. K. (2014). *Tax Reforms in selected African Countries*. cache:///repository.uneca.org/bitstream/ - Google Search. /https://repository.uneca.org/bitstream/